NOTES

WASHINGTON NOTES

Congress has brought to a close, for the present at least, a long-standing controversy by passing the act of August 24 relating to the Panama Canal. The measure is in many particulars one of the most important pieces of economic legislation that has been enacted for a long time past (Public Act No. 337, 62d Cong., 2d sess.). This is not only because of the fact that it establishes the rates of toll to be charged vessels going through the canal, but also because of the significant provisions relating to general economic conditions that are carried in the measure. The salient features of the Panama Canal act are as follows: (1) the establishment of the maximum rate of tolls at $1.25 per net registered ton; (2) the amendment of the shipping laws of the United States so as to permit the registration of foreign-built vessels in our own foreign trade under specified conditions; (3) permission to import free into the United States all shipbuilding materials that may be needed for the construction or repair of vessels; (4) prohibition of railway ownership of vessels operating through the Panama Canal or of vessel lines operating anywhere in competition with such water carriers; (5) provision that American coastwise vessels should be free from tolls in the canal.

Of these provisions probably the two which are of most importance are the one exempting domestic vessels from the toll charges and that providing for a separation of railway and vessel property. The exemption of domestic vessels has already given rise to serious diplomatic representations by Great Britain, which feels that such exemption constitutes a violation of the terms of the Hay-Pauncefote treaty wherein access to the canal is guaranteed to ships of all nations on "terms of entire equality." The gist of the American contention is that this clause is by no means violated in the provision of the act, inasmuch as foreign ships cannot gain admission to the coastwise trade of the United

States under any conditions, and are therefore not injured by the extension of favors to domestic ships which are so registered. Foreign nations complain that the "coastwise" trade of the United States is coastwise in name only and cannot be considered a thing apart, inasmuch as the ships engaged in it compete directly with Canadian and other ships which are substantially employed in the same commerce, while there is indirect competition with ships of other nations engaged in certain classes of traffic. That this subject will be referred to the Hague tribunal for arbitration is now predicted in some quarters, although unofficial statements have been made public in Washington to the effect that no such reference will be considered by the United States. In the event that arbitration shall be refused as now predicted, the prevailing opinion is that a severe blow will have been struck at the position assumed by the United States with regard to arbitration in general. Moreover, it has been clearly indicated to this government that a refusal of the kind referred to will be followed by retaliation. Several plans for such retaliation are already proposed.

Even more significant in many ways is the section of the act which gives the Interstate Commerce Commission power to see that the proposed separation between railway and vessel property is made effective. Great difficulties for the railways will be involved by this proposal. The immediate effect will be the initiation of lengthy proceedings before the commission with a view to ascertaining the precise steps to be taken in compliance with the legislation. Probably not less than $25,000,000 to $50,000,000 worth of vessel property is affected by the enactment. An incidental provision in this same section prohibits any vessel from passing through the canal if it is owned by any company doing business in violation of the anti-trust act; but, as there is no specific provision for enforcing this portion of the law, it is likely to remain very much a dead letter. The impression produced by the anti-trust provision has been that of political buncombe pure and simple and it has tended to cast doubt upon the other clauses of the measure.

In issuing an order to the express companies of the country to show cause why they should not be required to introduce a new schedule of rates, the Interstate Commerce Commission has opened the whole express issue in a new and acute form. The order to the companies includes an elaborate and carefully developed plan for revising the existing system of express company rates and practices in accordance with the so-called "zone" plan of adjustment. This plan, as embodied in the

commission's scheme, would provide for the following points: (1) the United States is divided into blocks of approximately 50 miles square; (2) points within each block are common points excepting as to adjacent blocks; (3) rates shall be stated in scales giving a rate applicable to packages weighing from 1 to 100 pounds; (4) the scale applicable between two blocks will be found by reference to a single sheet-tariff of rates to be determined upon by the commission and the companies, and to be posted in each office; (5) a similar sheet will give the scale applicable to all points in sub-blocks located within a radius of two blocks or approximately 100 miles. The commission has also endeavored to meet the current complaints about express company service by providing an elaborate scheme of regulation. One of the principal features of this scheme is the plan there set forth for avoiding undercharges, overcharges, and duplicate charges. This end is reached by a system of vari-colored waybills, receipts, etc., which are used for the various classes of parcels. In many other details, efforts are further made to meet the objections currently urged against the companies and their methods. Coupled with these orders are the results of inquiries which were intended to furnish more knowledge about express company methods than has yet been available. Particular stress has been placed upon a study of capitalization, and of the express company contracts with the railroads. From this study the conclusion is reached that the companies really have little valuable property on the worth of which the rates to be charged for packages could be based, save only their contracts with the carriers. No confiscatory policy is urged, but on the contrary it is suggested that the express company is a peculiarly "American" institution and that its service should be retained for the good of the community by the adjustment of rates on a basis that will be measurably satisfactory all around.

An especially interesting aspect of the effort to adjust rates on the new basis is seen in the circumstance that, just as the express company matter is to be taken up before the commission in official hearings, Congress provides for a parcels-post system on a plan somewhat similar to the proposed zone system of express charges. The parcels-post scheme is patterned after the so-called "Bourne plan," and is embodied in the post-office appropriation bill. Like the proposed plan of express rates, the new parcels-post system calls for the establishment of a so-called zone system in which rates vary with distance, the rates ranging from 5 cents a pound for short distances to 12 cents per pound, as the distances increase. It is the opinion of competent judges that, when

placed in operation under the official rules which are to be promulgated in the near future, the scheme will practically divide the business with the express companies, the short-distance light-weight freight going to the post-office and the larger packages, which are to travel a greater distance, going to the companies. This outcome would, on the whole, be very pleasing to the companies. The situation is chiefly interesting to the mail-order houses and is expected to produce something of a transformation in present methods of distributing merchandise.

Another contribution to the history of the United States Steel Corporation, and additional suggestions regarding the best method of checking trust aggressions upon the public, are afforded by the final report of the so-called Stanley Steel Investigating Committee (House Report No. 1127, 62d Cong., 2d. sess.). In this report much familiar matter is reviewed, liberal use being made of the earlier report of the Commissioner of Corporations on the steel industry and of the investigations made by the Bureau of Labor, the Immigration Commission, and other organizations. The Stanley report contrives to bring out a few facts not quite so well known as those which make up the bulk of the preceding studies, however, particularly with reference to ore supplies, sources of possible fuel, control of the latter, and the like. There are also useful data with respect to the financial aspects of the panic of 1907, in so far as these bore upon the organization of the steel industry. Particular attention is naturally bestowed upon the absorption of the Tennessee Coal & Iron Company by the United States Steel Corporation, and upon the part in the transaction played by the then president of the United States. The main interest in the Stanley report is not, however, found in what it has to say with regard to the industry itself but in the remedies it suggests for existing trust evils. The report presents a variety of bills on this subject, and is the only document of the kind placed before Congress by any committee during the session that has just closed. The proposed remedies are as follows: (1) an elaborate definition in detail of the acts which may be taken as constituting, under the Sherman Anti-Trust act, a violation of the prohibitions against restraint of trade; (2) prohibition of action on the part of persons engaged in the manufacture of railroad cars, locomotives, or structural steel, or in the mining or sale of coal, that would bring such persons into the directorates or otherwise into control of railroads engaged in interstate commerce; (3) prohibition of the ownership of railroad lines by other corporations engaged in other branches of business; (4) measures

designed to dissolve the United States Steel Corporation by forbidding it access to transportation in interstate commerce. Several minority reports were filed by the committee (which consisted of but nine members), so that these suggestions cannot be regarded as having more than a very limited support. They do, however, represent the views of a substantial number of radical Democrats in Congress, and it is a curious fact that the provisions of an anti-trust measure introduced by Senator LaFollette in the upper chamber and by Representative Lenroot in the lower (the so-called LaFollette-Lenroot bill) have been practically taken over in this bill, thereby making the Democratic committee follow in substance the identical lines in regard to trust-reform that were adopted by the progressive element in the opposite party. The Republican minority, in reporting on the subject, takes up the idea of government regulation of prices of trust-controlled commodities through the action of a commission to be intrusted with that power. This latter plea is apparently tending to emerge from the general body of anti-trust remedies as the proposal most favored by the "conservative" element among the Republicans. In so far as concerns the "remedies" suggested by the Democrats who signed the Stanley report, there appears to be a general disposition among the various groups in the minority (or Republican) section of the committee to reject all the plans brought forward by their political opponents in whole or in part as either dangerous or likely to afford no genuine alleviation of existing conditions. The Stanley report is expected to constitute the basis for considerable anti-trust discussion at the approaching session of Congress. Meantime it is of service to the student of economic conditions in that it consolidates a good deal of information not previously available in any single document.

By congressional action a series of important changes in the statistical services of the government have been introduced and will alter materially the character of the sources from which economic students must draw their data as to commercial transactions. The first change in this series is the elimination of the Bureau of Statistics in the Department of Commerce and Labor and the Bureau of Manufactures in the same department. In place of these two bureaus, secondly, has been established a new bureau to be known as the Bureau of Foreign and Domestic Commerce. Thirdly, the Tariff Board, heretofore under the general oversight of the Treasury Department, has been terminated by the withholding of all further appropriations from it. Finally, serious

changes have been made in the commercial service of the Bureau of Foreign Trade Relations in the Department of State. Incidentally to the substitution of the Bureau of Foreign and Domestic Commerce for the two bureaus which preceded it, the figures on internal commerce of the United States—movements of commodities by lake, river, and rail, etc., heretofore published by the Bureau of Statistics on a small scale—have been discontinued, and the sole source to which the student of statistics can resort for such data is now the Interstate Commerce Commission. While the commission has made no definite plans for elaborating its figures as to internal commerce, it is investigating the feasibility of undertaking something of the sort and the belief is that within a short time a new service of domestic commerce statistics will be inaugurated there. The changes made in the organization of the several bureaus have resulted partly from a desire for economy, partly from a desire to promote efficiency, and partly from the irritation caused by the activities of the State Department in placing the services of the government too much at the disposal of private individuals who have axes of their own to grind.

Federal Anti-Trust Decisions 1890–1912 (compiled under Senate Resolution of May 17, 1911; 4 vols., June, 1912) is a complete collection of the anti-trust decisions of the federal courts of all grades. The collection includes nothing from the state courts, except occasional citations, but presents practically the whole body of interpretation given to the Sherman act by the United States courts since the legislation went into operation. Each decision is preceded by the usual explanatory summary, giving the substance of the findings embodied in the opinion. This is by far the most complete and inclusive collection of the kind that has thus far been made. A review of the volumes shows the successive steps that have been taken in the application of the act, and indicates more clearly than any of the various reviews embodied in the later decisions the successive stages through which the development of the law has passed. It is amply shown by such a review that the Sherman act has been taken to be a very different thing in different periods of its history, and that no satisfactory reconciliation of the successive decisions can be arrived at. The decisions of judges have followed far more nearly the political exigencies of the years in which they have been rendered than they have any well-defined principle of interpretation. Probably nothing can more clearly exhibit the unsatisfactory character of the law than the fact that it has so completely lacked any consistent growth or plan of application. Few public documents will

tend so strongly as this one to disillusionize such actual readers as it may have who think the Sherman act an effective or workable statute. The dissenting opinions in the various cases are given in full, as well as the affirmative opinions, and constitute quite as convincing a treatment of the general principles of anti-trust legislation as do the verdicts themselves.

A valuable report on a technical trade subject has been rendered by the Bureau of Corporations in its Report on Cotton Tare (Report Bureau of Corporations, September 3, 1912). This is the result of a lengthy investigation of the practices which prevail here and abroad with respect to the bagging, baling, and weighing of cotton. The inquiry was undertaken in order to get at the actual methods which determine the making of allowances for the bagging and ties inclosing a bale of cotton, and was inspired by the complaints current for years past that American producers are subjected to serious loss by reason of the fact that they suffer excessive deductions for tare under the regulations of leading European markets. This complaint has been coupled in many quarters with the counter-complaint that American cotton-growers were extremely careless in their methods of wrapping and shipping cotton and that they could not be relied upon to deal fairly with the foreign buyer. The report finds that cotton for export is sold "net-weight," and that the American exporter, by the terms of his contract with the foreign buyer, must compute the net weight of his cotton by deducting 6 per cent from the gross weight. The average bale of cotton, weighing 500 pounds gross, contains about 478 pounds of cotton and 22 pounds of tare, as it comes from the producer to the exporter. A deduction of 6 per cent from the gross weight under the foreign tare rules would, however, leave only 470 pounds net, or 8 pounds less than the actual weight of the cotton in the bale. It is irregularity of this sort that introduces so much uncertainty into the foreign cotton business, the report asserts, and consequently makes it difficult to carry on the business without risk of loss. The remedy recommended by the report is the standardization of the cotton bale, and the modification of the export contract so as not to call for the unfair deductions at present allowed. Compressing at the gin would also, it is declared, tend to eliminate some elements of the present difficulty. The report is a very useful review of the commercial and financial details relating to the marketing of our most valuable export product.